

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 SP-02 ICA-11 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 L-03 H-01
PA-01 CIAE-00 COME-00 FRB-03 INR-10 NSAE-00
XMB-02 OPIC-03 LAB-04 SIL-01 AGR-01 DOE-15 SOE-02
OES-07 DODE-00 /123 W
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P 032020Z JUL 78
FM AMEMBASSY SANTO DOMINGO
TO SECSTATE WASHDC PRIORITY 5181

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E.O. 11652: N/A
TAGS: EAID, DR
SUBJECT: GODR REQUEST FOR FY 1979 P.L. 480 TITLE I PROGRAM

REF: (A) SANTO DOMINGO 0942
(B) SANTO DOMINGO 3070

SUMMARY

ANA ANALYSIS OF GODR REQUEST FOR P.L. 480 FOR FY 1979 WHICH TOTALED \$42.5 MILLION INDICATES THAT ON THE BASIS OF NORMAL MARKETING REQUIREMENTS \$11.6 MILLION CAN BE JUSTIFIED. HOWEVER, TAKING INTO ACCOUNT THE LIKELIHOOD OF A SUBSTANTIAL BALANCE OF PAYMENTS DEFICIT IN 1978 AND 1979, EMBASSY BELIEVES THAT A FY 1979 P.L. 480 PROGRAM OF UP TO \$20 MILLION IN COMBINATION WITH A SLIGHTLY LARGER CCC CREDIT PROGRAM COULD BE JUSTIFIED.

1. REF A TRANSMITTED GODR REQUEST FOR P.L. 480 TITLE 1 PROGRAMS FOR FY 1978 AND FY 1979. THIS MESSAGE FOCUSES ON THE GODR REQUEST FOR FY 1979.

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2. COMMODITIES AND QUANTITIES REQUESTED FOR FY 1979 BY THE GODR AND THE APPROXIMATE VALUES AT CURRENT ESTIMATED PRICES ARE AS FOLLOWS:

COMMODITY	QUANTITY METRIC	PRICE PER TON	TOTAL VALUE
	TONS	(DOLLARS) MILLION	
		DOLLARS	
RICE	25,000	350	8.75

DRY BEANS(PINTOS)	2,500	490	1.23
CORN, NO.2 YLO.	50,000	109	5.45
VEG. OIL	14,000	681	9.53
WHEAT	130,000H	135	17.55
TOTALS	221,500		42.51

3. BAWED ON AN ANALYSIS OF SUPPLY/DISTRIBUTION
CONDITIONS, USUAL MARKETING PATTERNS AND BUDGETARY CONSTRAINTS
THE EMBASSY SUBMITS THE FOLLOWING COMMENTS AND RECOMMENDATIONS:

4. RICE PRODUCTION FOR CY 1978, NOW ESTIMATED AT 210,000
MT IS UP 30,000HTONS FROM 1977. TOTAL IMPORT REQUIREMENT FOR
RICE ESTIMATED TO FALL WITHIN RANGE 25-30 THOUSAND TONS OF
WHICH 15,000 TONS ALREADY IMPORTED. ASSUMING A RICE CROP IN
1979 EQUAL TO 1978 LOCAL PRODUCTION IT APPEARS THAT THE INDICATED
UMR AS SHOWN BELOW WOULD BE HIGHER THAN TOTAL RICE IMPORT NEEDS
THUS LEAVING NO ROOM FOR PROGRAMMING RICE UNDER P.L. 480 TITLE I.
HOWEVER, THIS SITUATION MIGHT CHANGE IF 1979 LOCAL PRODUCTION
FALLS SUBSTANTIALLY BELOW THAT OF 1978. FOLLOWING IS A 5 YEAR
SERIES OF RICE IMPORT STATISTICS IN METRIC TONS FOR THE MOST
RECENT 5 YEARS:

CY	FROM U.S.	OTHER 1	OTAL
1973	29,686	0	29,686
1974	47,176	23,125	70,301
1975	0	49,509	49,509

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1976	24,000	7,900	31,900
1977	16,000	24,907	60,000
5 YR AVG	23,372	24,907	48,279
INDICATED UMR			48,000

1 INCLUDES IMPORTS FROM SPAIN, COSTA RICA, COLOMBIA & ARGENTINA.
ON THE BASIS OF PRESENT DATA EMBASSY THEREFORE RECOMMENDS THAT
RICE BE ELIMINATED FROM THE FY 1979 REQUEST.

5. EMBASSY UNDERSTANDS THAT DRY BEANS NOT NOW BEING PROGRAMMED
UNDER TITLE I AND NO INTEREST EXISTS IN U.S. PROGRAMING BEANS.

6. CORN REQUESTED FOR FY 1979 IS 50,000 MT. TOTAL IMPORT
REQUIREMENT FOR YEAR NOW CALCULATED AT 80,000 TONS DOWN SOMEWHAT
FROM EARLIER ESTIMATE DUE TO INCREASED LOCAL GRAIN SORGHUM
PRODUCTION IN 1978 WHICH IS EXPECTED TO BE EQUALLED IN 1979 GIVEN
NORMAL WEATHER CONDITIONS. WITH THE TOTAL IMPORT REQUIREMENT
ESTIMATED AT 80,000 TONS AND THE INDICATED UMR ESTIMATED AT
55,000 TONS IT WOULD APPEAR THAT ONLY 25,000 TONS COULD BE
PROGRAMMED UNDER PL 480. EMBASSY RECOMMENDS 25,000 TONS
BE PROGRAMMED. FOLLOWING IS THE MOST RECENT AVAILABLE FIVE YEAR
STATISTICAL SERIES ON CORN IMPORTS ON A JULY THROUG JUNE BASIS
IN METRIC TONS:

YEAR	FROM U.S.	OTHER 2	TOTAL
1972-73	17,222	-	17,222
1973-74	66,497	-	66,497
1974-75	54,510	-	55,510
1975-76	55,000	-	55,000
1976-77	84,000 1	-	84,000
5 YR AVG.	55,446		55,446
INDICATED UMR			55,000

1 INCLUDES 6,000 MT GRAIN SORGHUM
2 ALL IMPORTS DURING PERIOD WERE FROM THE U.S.

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7. THE VEGOIL REQUESTED IS 14,000 TONS. THE TOTAL IMPORT REQUIREMENT FOR THE YEAR IS ESTIMATED AT 38,000 TONS, HOWEVER DUE TO THE DEPLETED STOCK LEVEL (LESS THAN 2,000 MT) CARRIED INTO CY 1978 THE INDUSTRY WOULD LIKE TO BRING IN AN ADDITIONAL 8,000 TONS IN ORDER TO END FY 1979 WITH A STOCK LEVEL OF 10,000 MT, A MORE TRADITIONAL CARRYOVER LEVEL. GIVEN THE INDICATED UMR OF 31,000 MT AND THE NEED TO REBUILD SEVERELY DEPLETED STOCKS SOMEWHAT EMBASSY BELIEVES TOTAL OF 10,000 TONS OF VEGOIL (SOYBEAN OIL/COTTONSEED OIL) UNDER FY 1979 TITLE I PROGRAM IS REASONABLE. THIS WOULD PERMIT A BUILDUP OF ONLY 3,000 TONS IN STOCKS WITH ANY FURTHER BUILDUP TO BE FINANCED WITH COUNTRY'S OWN RESOURCES. EMBASSY RECOMMENDS 10,000 VEGOIL BE PROGRAMMED UNDER TITLE I. FOLLOWING IS A FIVE-YEAR STATISTICAL SERIES OF VEGOIL IMPORTS IN METRIC TONS ON CALENDAR YEAR BASIS.

CY	FROM U.S.	OTHER (2)	TOTAL
1973	20,578 1	-	20,578 1
1974	19,000	7,787	26,787
1975	32,131 1	-	32,131 1

1976 27,627 1 14,900 42,527 1
 1977 16,040 1 17,500 33,540 1
 5 YR AVG. 23,075 1 8,037 31,113 1
 INDICATED UMR 31,000 1
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1 INCLUDES OIL CONTENT OF IMPORTED SOYBEANS, ALL FROM THE U.S.
 2 VIRTUALLY ALL FROM BRAZIL.

8. THE QUANTITY OF WHEAT REQUESTED FOF FY 1979 IS 130,000 METRIC TONS. THIS IS CALCULATED TO BE THE TOTAL IMPORT REQUIREMENT AND CONSUMPTION. NO WHEAT IS PRODUCED IN THE COUNTRY. ALL IMPORTS DURING THE PAST HAVE BEEN FROM THE U.S. WITH TOTAL DEMAND ESTIMATED AT 130,000 TONS AND THE UMR INDICATED AT 115,000 TONS AND STOCKS BEING HELD STEADY IT APPEARS THAT 15,000 TONS OF WHEAT IS ALL THAT CAN REALISTICALLY BE PROGRAMMED FOR 1979. ACCORDINGLY, EMBASSY RECOMMENDS INCLUDING 15,000 TONS OF WHEAT IN COMMODITY PACKAGE. FOLLOWING IS THE MOST RECENT AVAILABLE 5-YEAR STATISTICAL SERIES ON IMPORTS. DATA ARE IN METRIC TONS. YEARS ARE JULY THROUGH JUNE.

YEAR	FROM U.S./TOTAL
1972-73	96,100
1973-74	110,700
1974-75	96,235
1975-76	140,000
1976-77	131,000
5 YR AVG.	114.807
INDICATED UMR	115,000

9. FOLLOWING IS SUMMARY OF RECOMMENDED COMMODITIES BY QUANTITY AND APPROXIMATE VALUE BASED ON CURRENT PRICES:

COMMODITY	QUANTIFY (METRIC TONS)	VALUE (MILLION DOLLARS)
CORN	25,000 109	2.73
VEGOIL	10,000 681	6.80
WHEAT	15,000 135	2.03
TOTAL	50,000 -	11.56

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10. ABOVE RECOMMENDATIONS ARE MADE ON THE BASIS OF NORMAL MARKET EG REQUIREMENTS WITHOUT TAKING INTO ACCOUNT BALANCE OF PAYMENTS CONSIDERATIONS WHICH WILL STRONGLY INFLUENCE GODR FINAL DECISIONS ON KINDS AND AMOUNTS OF COMMODITIES TO BE IMPORTED. AS MENTIONED IN SANTO DOMINGO 3070 PRESENT

CENTRAL BANK PROJECTIONS FOR 1978 INDICATE A POSSIBLE OVERALL BALANCE OF PAYMENTS DEFICIT OF 200 MILLION. IF, AS EXPECTED, SUGAR PRICES REMAIN AT ABOUT THEIR PRESENT LEVELS INTO 1979, BALANCE OF PAYMENTS PROSPECTS FOR THAT YEAR WILL REMAIN EQUALLY BLEAK. THEREFORE, EMBASSY BELIEVES THAT A P.L. 480 PROGRAM LARGER THAN THAT BASED SOLELY ON NORMAL MARKETING REQUIREMENTS IS JUSTIFIED.

WITHIN THE CONTEXT OF A GOVERNMENT PROGRAM OF FOREIGN EXCHANGE MANAGEMENT AND REFORM AIMED AT ADDRESSING UNDERLYING BALANCE OF PAYMENT PROBLEMS AND ELIMINATING PROJECTED DEFICIT, WE BELIEVE THAT U.S. PARTICIPATION WITH UP TO 20 MILLION IN P.L. 480 COULD BE JUSTIFIED.

THE NEW GOVERNMENT WILL ALSO BE FACED WITH LIMITED BUDGETARY RESOURCES DURING 1979 TO UNDEERTAKE BASIC DEVELOPMENT PROGRAMS. LOCAL CURRENCES PROCEEDS FROM P.L. 480 SALES CAN PROVIDE SOME OF THE FUNDING REQUIRED FOR THESE ACTIVITIES. SEPARATE CABLE FOLLOWS PROVIDING DEVELOPMENT RATIONALE FOR THIS PROPOSAL IN COMBINATION WITH A CCC PROGRAM OF ROUGHLY THE SAME SIZE OR LARGER.

11. IN THE EMBASSY'S JUDGEMENT THE RECOMMENDED QUANTITIES OF THESE COMMODITIES PROVIDE NO SIGNIFICANT DISINCENTIVE TO LOCAL PRODUCTION. WHEAT IS NOT PRODUCED IN THE D.R. CORN IS PRODUCED BUT PRODUCTION HAS REMAINED RELATIVELY STATIC EXCEPT FOR WEATHER INDUCED FLUCTUATIONS DESPITE A GOVERNMENT SUPPORT PRICE TO THE FARMER OF RD PESOS 6.75 PER CWT. LOCAL CORN PRODUCTION ACCOUNTS FOR ONLY 25 PERCENT OF TOTAL DEMAND. SIMILARLY, LOCAL VEGETABLE PRODUCTION MAKES UP LESS THAN HALF THE TOTAL DEMAND DESPITE HIGH GUARANTEED PRICES FOR COCOA AND PEANUTS.

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12. THE EMBASSY HAS DETERMINED THAT SUFFICIENT PORTS, RECEIVING, HANDLING, STORAGE AND DISTRIBUTION FACILITIES EXIST TO HANDLE THE RECOMMENDED QUANTITIES OF THE RECOMMENDED COMMODITIES WITHOUT DIFFICULTY PROVIDED SHIPPING SCHEDULES ARE PROPERLY ARRANGED.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FUND ALLOTMENT, PL 480 TITLE 1, FOREIGN ASSISTANCE PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 03 jul 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978SANTO03629
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780274-0809
Format: TEL
From: SANTO DOMINGO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780799/aaaadfpa.tel
Line Count: 267
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 53cc7c7b-c288-dd11-92da-001cc4696bcc
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 SANTO DOMINGO 942, 78 SANTO DOMINGO 3070
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2126111
Secure: OPEN
Status: NATIVE
Subject: GODR REQUEST FOR FY 1979 P.L. 480 TITLE I PROGRAM
TAGS: EAID, DR, US
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/53cc7c7b-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014